

T.W. ENGINEERING COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2018



T.W. ENGINEERING COMPANY LIMITED

COMPANY INFORMATION

Directors	H C Downs (Chairman) FCCA S A Lowater ACMA & CGMA J R Downs FCCA E C H Downs
Company secretary	S A Lowater ACMA & CGMA
Registered number	00673817
Registered office	Angular House Eagle Road Quarry Hill Industrial Park Ilkeston Derbyshire DE7 4RB
Independent auditors	Smith Cooper Audit Limited Chartered Accountants and Statutory Auditors 2 Lace Market Square Nottingham NG1 1PB

T.W. ENGINEERING COMPANY LIMITED

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T.W. ENGINEERING COMPANY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2018

Introduction

We aim to present a balanced and broad review of the performance and development of our business during the year and its position at year end. Our review is consistent with the size and nature of our business and is written in the context of the normal risks and uncertainties we face.

The directors consider that the results for the year and financial position at the end of the year were good particularly in view of the economic climate.

Business review

As a manufacturer and distributor, the company continues to supply a vast range of Hand Tools, Power Tools & Consumables alongside Precision Engineered and Woodworked Parts to a wide range of Utility Companies & Industry in the UK.

During the year James & Edward Downs were promoted to the positions of Joint Managing Directors.

The year ended 31 October 2018, once again saw a slight increase in turnover compared to the previous year. The major reasons for this are the increased turnover of our top customers by offering more products to add to their portfolio along with added value from the Sales team gaining new business. Whilst many sectors continued to struggle, our very stable position with experienced staff and our continued investments in new premises & new technology ensured that we continue to grow and deliver valued services to our customers. Costs were broadly in line with expectations. The protracted period of economic challenges are set to continue and market risks and uncertainties are still an important factor to be taken into account in the future development of the business.

Principal risks and uncertainties

The Directors regularly evaluate the risks to which the company is exposed. The principal risks and uncertainties facing the Company are broadly grouped as – competitive and financial instrument risk.

Competitive Risks are no different to many other businesses. Generating new business from both existing and new customers is important as well as ensuring existing contracts are secure (which are subject to periodic tender).

Financial Instrument risk - Exposure to price and credit risk

Price risk arises on financial instruments because of changes in commodity prices, particularly those purchased in foreign currencies. We continue to receive extra challenges with regards to Brexit whereby the majority of our suppliers costs have risen, we continue to absorb these rather than passing on to our customers.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Overall the company adopts a prudent attitude to risk and has adequate cash reserves to ensure that any risks faced can be managed.

T.W. ENGINEERING COMPANY LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2018**

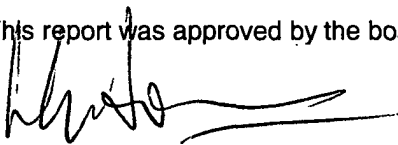
Financial key performance indicators

We consider that our key financial performance indicators are those that communicate the financial performance and position of the company as a whole, these being the net profit margin and the return on capital employed.

The Net Profit Margin for the year was 10% (2017 – 10%).

Return on Capital Employed, defined as earnings before interest and tax divided by total assets less current liabilities, is 23% (2017 – 27%).

This report was approved by the board on 6th March 2019. and signed on its behalf.



H C Downs (Chairman) FCCA
Director

T.W. ENGINEERING COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2018

The directors present their report and the financial statements for the year ended 31 October 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The company's principal activity is distributors to industry of hand tools, power tools, consumables and janitorial goods. Along with precision engineering, manufacturing and woodworking.

Results and dividends

The profit for the year, after taxation, amounted to £1,223,836 (2017 - £1,309,487).

Dividends of £699,993 (2017 - £300,010) were paid in the year.

Directors

The directors who served during the year were:

H C Downs (Chairman) FCCA
S A Lowater ACMA & CGMA
J R Downs FCCA
E C H Downs

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

T.W. ENGINEERING COMPANY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2018**

Auditors

The auditors, Smith Cooper Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'H C Downs', with a long horizontal stroke extending to the right.

H C Downs (Chairman) FCCA
Director

Date: 6th March 2019

T.W. ENGINEERING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF T.W. ENGINEERING COMPANY LIMITED

Opinion

We have audited the financial statements of T.W. Engineering Company Limited (the 'company') for the year ended 31 October 2018, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are

T.W. ENGINEERING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF T.W. ENGINEERING COMPANY LIMITED (CONTINUED)

required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

T.W. ENGINEERING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF T.W. ENGINEERING COMPANY LIMITED (CONTINUED)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Sarah Flear (Senior statutory auditor)

for and on behalf of

Smith Cooper Audit Limited

Chartered Accountants and Statutory Auditors

2 Lace Market Square

Nottingham

NG1 1PB

Date:

14 March 2009.

T.W. ENGINEERING COMPANY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2018**

	Note	2018 £	2017 £
Turnover	3	15,962,305	15,812,116
Cost of sales		(12,966,562)	(12,698,169)
Gross profit		2,995,743	3,113,947
Administrative expenses		(1,481,722)	(1,485,527)
Operating profit	4	1,514,021	1,628,420
Interest receivable and similar income	8	6,337	5,261
Profit before tax		1,520,358	1,633,681
Tax on profit	9	(296,522)	(324,194)
Profit for the financial year		1,223,836	1,309,487

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017:£NIL).

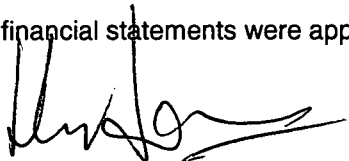
The notes on pages 12 to 22 form part of these financial statements.

T.W. ENGINEERING COMPANY LIMITED
REGISTERED NUMBER: 00673817

BALANCE SHEET
AS AT 31 OCTOBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	11	1,419,549	1,381,021
Investments	12	2	2
		<u>1,419,551</u>	<u>1,381,023</u>
Current assets			
Stocks	13	1,361,932	1,253,102
Debtors: amounts falling due within one year	14	2,831,596	3,632,750
Cash at bank and in hand	15	2,702,871	2,050,968
		<u>6,896,399</u>	<u>6,936,820</u>
Creditors: amounts falling due within one year	16	(1,649,938)	(2,176,468)
Net current assets		<u>5,246,461</u>	<u>4,760,352</u>
Total assets less current liabilities		<u>6,666,012</u>	<u>6,141,375</u>
Provisions for liabilities			
Deferred taxation	18	(37,584)	(36,790)
		<u>(37,584)</u>	<u>(36,790)</u>
Net assets		<u><u>6,628,428</u></u>	<u><u>6,104,585</u></u>
Capital and reserves			
Called up share capital	19	2,500	2,500
Profit and loss account	20	6,625,928	6,102,085
		<u>6,628,428</u>	<u>6,104,585</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



H C Downs (Chairman) FCCA
Director

Date: 6th March 2019.

The notes on pages 12 to 22 form part of these financial statements.

T.W. ENGINEERING COMPANY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2018**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 November 2016	2,500	5,092,608	5,095,108
Profit for the year	-	1,309,487	1,309,487
Dividends: Equity capital	-	(300,010)	(300,010)
At 1 November 2017	<u>2,500</u>	<u>6,102,085</u>	<u>6,104,585</u>
Profit for the year	-	1,223,836	1,223,836
Dividends: Equity capital	-	(699,993)	(699,993)
At 31 October 2018	<u><u>2,500</u></u>	<u><u>6,625,928</u></u>	<u><u>6,628,428</u></u>

The notes on pages 12 to 22 form part of these financial statements.

T.W. ENGINEERING COMPANY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 OCTOBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	1,223,836	1,309,487
Adjustments for:		
Depreciation of tangible assets	142,846	129,524
Loss on disposal of tangible assets	(7,217)	(29,301)
Interest received	(6,337)	(5,261)
Taxation charge	296,522	324,194
(Increase) in stocks	(108,830)	(77,958)
Decrease/(increase) in debtors	818,872	(1,972,713)
(Decrease)/increase in creditors	(212,985)	782,292
Corporation tax (paid)	(626,990)	(211,418)
Net cash generated from operating activities	<u>1,519,717</u>	<u>248,846</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(290,658)	(361,686)
Sale of tangible fixed assets	116,500	35,825
Interest received	6,337	5,261
Net cash from investing activities	<u>(167,821)</u>	<u>(320,600)</u>
Cash flows from financing activities		
Dividends paid	(699,993)	(300,010)
Net cash used in financing activities	<u>(699,993)</u>	<u>(300,010)</u>
Net increase/(decrease) in cash and cash equivalents	<u>651,903</u>	<u>(371,764)</u>
Cash and cash equivalents at beginning of year	2,050,968	2,422,732
Cash and cash equivalents at the end of year	<u><u>2,702,871</u></u>	<u><u>2,050,968</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>2,702,871</u>	<u>2,050,968</u>
	<u><u>2,702,871</u></u>	<u><u>2,050,968</u></u>

The notes on pages 12 to 22 form part of these financial statements.

T.W. ENGINEERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

T.W. Engineering Limited is a private company limited by shares incorporated in England, United Kingdom. The address of the registered office is given in the company information page of these financial statements. The nature of the company's operations and principal activities are given in the Directors' Report.

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value.

The financial statements are presented in sterling which is the functional currency of the company and have been rounded to the nearest £1.

The financial statements contain information about T.W. Engineering Company Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 402/405 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as its subsidiary undertaking is not material for the purpose of giving a true and fair view. Financial statements for the parent company can be obtained from the registered office which is given in the company information page of these financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

1.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. This is usually on the despatch of goods to the customer. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.3 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

T.W. ENGINEERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

1. Accounting policies (continued)

1.3 Tangible fixed assets (continued)

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may be affected.

Depreciation is provided on the following basis:

Land	- Not depreciated
Freehold property	- 2.5% straight line basis
Plant & machinery	- 12.5% straight line basis
Motor vehicles	- 20% straight line basis
Fixtures & fittings	- 10% and 33.33% straight line basis

1.4 Valuation of investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Profit or loss.

1.6 Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

1.7 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities are translated at year end exchange rates. All exchange differences are included in the Profit and loss account.

1.8 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

T.W. ENGINEERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

1. Accounting policies (continued)

1.9 Pensions

Defined contribution pension plan

The company operates a defined contribution pension scheme and contributions to the scheme are recognised in the profit and loss account in the period in which they become payable.

1.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, unless it relates to items in other comprehensive income or directly in equity. In such cases, the related tax is also recognised other comprehensive income or directly in equity.

Current tax liabilities are measured at the amount expected to be paid, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method and is calculated using rates of taxation enacted or substantively enacted at the balance sheet date which are expected to apply when the asset or liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affects the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There are no significant judgements (apart from those involving estimates) which have had an effect on amounts recognised in the financial statements.

T.W. ENGINEERING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

3. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Sale of goods	15,962,305	15,812,116
	<u>15,962,305</u>	<u>15,812,116</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	15,962,305	15,812,116
	<u>15,962,305</u>	<u>15,812,116</u>

4. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	142,846	129,523
Exchange differences	6,220	5,672
Defined contribution pension cost	104,429	166,985
	<u>104,429</u>	<u>166,985</u>

5. Auditors' remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	9,500	9,000
Fees payable to the company's auditor and its associates in respect of:		
All other services	1,759	2,912
	<u>1,759</u>	<u>2,912</u>

T.W. ENGINEERING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	1,403,921	1,274,305
Social security costs	133,017	123,481
Cost of defined contribution scheme	104,429	166,985
	<u>1,641,367</u>	<u>1,564,771</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Directors	4	4
Factory staff	22	17
Office staff	15	14
	<u>41</u>	<u>35</u>

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	547,842	528,307
Company contributions to defined contribution pension schemes	50,000	120,000
	<u>597,842</u>	<u>648,307</u>

During the year retirement benefits were accruing to 3 directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £207,078 (2017 - £204,183).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2017 - £NIL).

8. Interest receivable

	2018 £	2017 £
Other interest receivable	6,337	5,261
	<u>6,337</u>	<u>5,261</u>

T.W. ENGINEERING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

9. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	295,728	313,542
Total current tax	<u>295,728</u>	<u>313,542</u>
Deferred tax		
Origination and reversal of timing differences	794	10,652
Total deferred tax	<u>794</u>	<u>10,652</u>
Taxation on profit on ordinary activities	<u>296,522</u>	<u>324,194</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.41%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>1,520,358</u>	<u>1,633,681</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.41%)	288,868	317,158
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,635	2,400
Capital allowances for year in excess of depreciation	5,225	(6,016)
Deferred tax movement	794	10,652
Total tax charge for the year	<u>296,522</u>	<u>324,194</u>

10. Dividends

	2018 £	2017 £
Dividends paid on equity capital	699,993	300,010
	<u>699,993</u>	<u>300,010</u>

T.W. ENGINEERING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

11. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost					
At 1 November 2017	1,189,179	261,198	335,902	264,427	2,050,706
Additions	29,254	10,497	195,530	55,377	290,658
Disposals	-	(18,650)	(163,100)	(5,884)	(187,634)
At 31 October 2018	<u>1,218,433</u>	<u>253,045</u>	<u>368,332</u>	<u>313,920</u>	<u>2,153,730</u>
Depreciation					
At 1 November 2017	151,009	209,914	136,804	171,959	669,686
Charge for the year on owned assets	25,917	10,334	72,275	34,320	142,846
Disposals	-	(18,650)	(53,817)	(5,884)	(78,351)
At 31 October 2018	<u>176,926</u>	<u>201,598</u>	<u>155,262</u>	<u>200,395</u>	<u>734,181</u>
Net book value					
At 31 October 2018	<u><u>1,041,507</u></u>	<u><u>51,447</u></u>	<u><u>213,070</u></u>	<u><u>113,525</u></u>	<u><u>1,419,549</u></u>
At 31 October 2017	<u><u>1,038,170</u></u>	<u><u>51,284</u></u>	<u><u>199,098</u></u>	<u><u>92,468</u></u>	<u><u>1,381,020</u></u>

Included within freehold property is freehold land at cost of £178,169 which is not depreciated.

T.W. ENGINEERING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 November 2017	2
At 31 October 2018	2
Net book value	
At 31 October 2018	2
At 31 October 2017	2

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
T. W. Tools Limited	Ordinary	100 %	Dormant

The aggregate of the share capital and reserves as at 31 October 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £
T. W. Tools Limited	2
	2

T. W. Tools Limited has generated zero profit or loss in 2018 and 2017 as it is a dormant subsidiary.

T.W. ENGINEERING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

13. Stocks

	2018 £	2017 £
Work in progress (goods to be sold)	-	155
Finished goods and goods for resale	1,361,932	1,252,947
	<u>1,361,932</u>	<u>1,253,102</u>

Stock recognised in cost of sales during the year as an expense was £12,295,555 (2017 - £12,116,442).

14. Debtors

	2018 £	2017 £
Trade debtors	2,785,131	3,604,299
Other debtors	17,917	2,750
Prepayments and accrued income	28,548	25,701
	<u>2,831,596</u>	<u>3,632,750</u>

15. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	2,702,871	2,050,968
	<u>2,702,871</u>	<u>2,050,968</u>

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,063,615	1,235,119
Corporation tax	-	313,543
Other taxation and social security	294,005	315,079
Other creditors	1,071	6,447
Accruals and deferred income	291,247	306,280
	<u>1,649,938</u>	<u>2,176,468</u>

T.W. ENGINEERING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

17. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>5,505,919</u>	<u>5,658,017</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(1,355,933)</u>	<u>(1,547,846)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

18. Deferred taxation

	2018 £
At beginning of year	(36,790)
Charged to profit or loss	(794)
At end of year	<u><u>(37,584)</u></u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(37,884)	(36,242)
Other short term timing differences	300	(548)
	<u><u>(37,584)</u></u>	<u><u>(36,790)</u></u>

T.W. ENGINEERING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

19. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
2,500 (2017 - 2,500) Ordinary shares of £1.00 each	<u>2,500</u>	<u>2,500</u>

20. Reserves

Profit & loss account

The profit and loss account represents cumulative profits and losses, net of dividends.

21. Pension commitments

The company operates a defined contributions pension scheme. The pension cost charge represents contributions payable by the company to the fund and amounted to £104,429 (2017 - £166,985).

Contributions totalling £1,723 (2017 - £2,883) were payable to the fund at the balance sheet date and are included in creditors.

22. Related party transactions

During the year the following dividends were paid for the benefit of the directors of the company:

- £699,993 (2017 - £300,010) in respect of £1 ordinary shares.

All the directors and management of the company who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Total remuneration, including benefits in kind, in respect of these individuals is £797,790 (2017 - £840,949).

23. Controlling party

The company is under the control of H C Downs due to his majority shareholding in the company.